

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 W

-----105843 252105Z /75

R 250908Z AUG 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 2914
INFO AMEMBASSY BANGKOK
USMISSION GENEVA
AMEMBASSY TOKYO
AMEMBASSY MANILA
AMEMBASSY SEOUL
AMEMBASSY TAIPEI

C O N F I D E N T I A L HONG KONG 11734

GENEVA FOR MTN DEL

E.O. 11652: GDS
TAGS: ETRD, HK
SUBJECT: NON-RUBBER FOOTWEAR - CONSULTATIONS WITH HONG KONG

REF: TAIPEI 5558

1. ON AUGUST 24 STATE DEPARTMENT OFFICER JOEL SPIRO AND
CONGEN ECONOMIC OFFICER MILES HENDERSON MET WITH HONG
KONG GOVERNMENT MTN DEL PETER TSAO AND OTHER MEMBERS
OF HKG TEAM THAT HAD MET WITH U.S. FOOTWEAR DELEGATION
AUGUST 16-17 (SEE REFTEL). KEITH BROADBRIDGE OF HONG
KONG CUSTOMS ENFORCEMENT WAS ALSO PRESENT.

2. TSAO SAID THAT THE HKG HAD CONSIDERED THE TENTATIVE
ARRANGEMENT REPORTED IN REFTEL AND HAD AGREED TO IT EXCEPT
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FOR ONE POINT OF CONCERN. BECAUSE OF HONG KONG'S
TRADITIONAL ROLE AS ENTREPOT AND PROCESSOR, THE LANGUAGE
OF PROVISION IC WAS FOUND TO BE TOO BROADLY PHRASED.
HE SAID THE HKG WOULD NEED LANGUAGE TO INDICATE THE
RIGHT OF THE U.S. TO DENY ENTRY TO HONG KONG OOFDS
SHOULD "NORMALLY" BE CONFINED TO PRODUCTS STATED TO
HAVE ORIGINATED IN SOURCES WITH WHICH THE USG HAS

CONCLUDED A RESTRAINT ARRANGEMENT. HE SAID THE PROBLEM WAS PRESENTATIONAL AND UPON QUESTIONING SAID THAT THE U.S. COULD DENY ENTRY TO HONG KONG ASSEMBLED FOOTWEAR OF NON OMA COUNTRY UPPER AND LOWERS AND NOT MERELY FOOTWEAR ASSEMBLED FROM ROC OR ROK COMPONENTS. HE HAD NO SPECIFIC LANGAGE TO OFFER AND SAID THIS MATTER CAN BE WORKED OUT WHEN HK DIRECTOR OF TRADE LAURIE MILLS IS IN WASHINGTON SEPTEMBER 11.

3. THE HKG TEAM HAD WORKED ON THE TENTATIVE ARRANGEMENT FOLLOWING THE PREVIOUS WEEK'S MEETINGS AND PRESENTED SPIRO WITH A PACKAGE OF DOCUMENTS TO BE HAND CARRIED TO WAHINGTON. INCLUDED ARE DRAFT CIRCULAR LETTERS TO THE TRADE AND INDUSTRY ASSOCIATIONS, SHIPPING COMPANIES AND FOOTWEAR FACTORIES DESCRIBING NEW GLOBAL EXPORT LICENSING SYSTEM AND CERTIFICATE OF HONG KONG ORIGIN REQUIREMENTS. LETTERS STATE INTER ALIA THAT "THERE IS NO GUARANTEE THAT EXPORTS OF NON-RUBBER FOOTWEAR WILL BE ADMITTED INTO THE USA UNLESS THEY ARE COVERED BY CERTIFICATES OF HONG KONG ORIGIN". ALSO INCLUDED IN THE PACKAGE ARE LAWS, REGULATIONS AND EXPLANATORY MATERIAL ON HONG KONG'S EXPORT LICENSING AND CERTIFICATE OF ORIGIN SYSTEMS.

4. TSAO SAID THAT HE HOPED THAT TECHNICAL QUESTIONS REGARDING THE ARRANGEMENT COULD BE CLEARED UP BEFORE
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LAURIE MILLS BEGINS THE SEPTEMBER CONSULTATIONS AS MILLS IS ON A TIGHT SCHEDULE AND THOSE TALKS SHOULD DEAL WITH BROADER QUESTIONS. IN THIS REGARD HE SAID HE WAS PREPARED TO SEND KEITH BROADBRIDGE TO WASHINGTON PRIOR TO MILLS' ARRIVAL TO MEET WITH U.S. OFFICIALS IF WE CONSIDERED THAT WAS NECESSARY. SPIRO EXPRESSED APPRECIATION FOR THE OFFER AND SAID THE FIRST STEP MIGHT BE TO HAVE WASHINGTON OFFICIALS STUDY THE MATERIAL THAT HAD BEEN PROVIDED AND CABLE QUESTIONS TO BROADBRIDGE THROUGH THE CONSULATE GENERAL.

5. REGARDING REPORTING AND PROJECTIONS OF SHIPMENTS OF NON-RUBBER FOOTWEAR, TSAO SAID THAT THE HKG COULD NOTIFY THE CONSULATE GENERAL A WEEK FOLLOWING THE END OF EACH MONTH OF THE QUANTITY OF FOOTWEAR EXPORTED TO U.S. COVERED BY CERTIFICATES OF ORIGIN THE PREVIOUS MONTH. BECAUSE THE INFORMATION WOULD FOR THE MOST PART ARRIVE BEFORE THE FOOTWEAR REACHED THE U.S. TSAO SAID THAT THERE WAS AN ELEMENT OF PROJECTION IN IT.; TSAO SAID WE COULD WRITE THE REPORTING SYSTEM INTO THE ARRANGMENT OR IN AN

EXCHANGE OF LETTERS.

6. REGARDING DATE OF IMPLEMENTATION OF THE ARRANGEMENT, TSAO SAID THAT IF AGREEMENT IS REACHED IN WASHINGTON DURING MILLS' VISIT, HKG COULD HAVE THE SYSTEM IN PLACE BY OCTOBER 1.

7. COMMENT: HKG HAS DONE ITS HOMEWORK AND SEEMS ANXIOUS TO HAVE THE SYSTEM EFFECTIVELY RESOLVE THE PROBLEM OF ASSEMBLY OF THIRD COUNTRY COMPONENTS IN HONG KONG TO CIRCUMVENT THE OMAS. DURING A TECHNICAL DISCUSSION OF EXPORT PROCEDURES HKG OFFICIALS EXPLAINED THAT THE HKG COULD NOT DENY EXPORT LICENSES TO FOOTWEAR ASSEMBLED IN HONG KONG FROM THIRD COUNTRY
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PARTS; HOWEVER, IF APPLICATIONS FOR EXPORT LICENSES ARE NOT ACCOMPANIED BY A VALID CERTIFICATE OF HONG KONG ORIGIN, THE EXPORT LICENSE WOULD INDICATE A COUNTRY OF ORIGIN OTHER THAN HONG KONG. THE INVOICE, BASED ON THE EXPORT LICENSE, PROVIDED TO THE U.S. CUSTOMS WOULD THEREFORE INDICATE A THIRD COUNTRY RATHER THAN HK ORIGIN, UNLESS THERE WAS FRAUD. INOTHER WORDS, THE EXPORT LICENSING SYSTEM PLUS THE CERTIFICATE OF HONG KONG ORIGIN REQUIREMENTS ESTABLISHES STRICT SURVEILLANCE AND ACCOUNTING OF EXPORTS FROM HONG KONG AND LIMITS HONG KONG EXPORTS TO GOODS WHICH MEET HONG KONG ORIGIN CRITERIA.
SHOESMITH

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